



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - public distribution

**Date:** 2/23/2007

**GAIN Report Number:** SP7011

## Spain

### Trade Policy Monitoring

### Biofuels Without Subsidies?

**2007**

**Approved by:**

Stephen Hammond  
U.S. Embassy

**Prepared by:**

Steve Welch

---

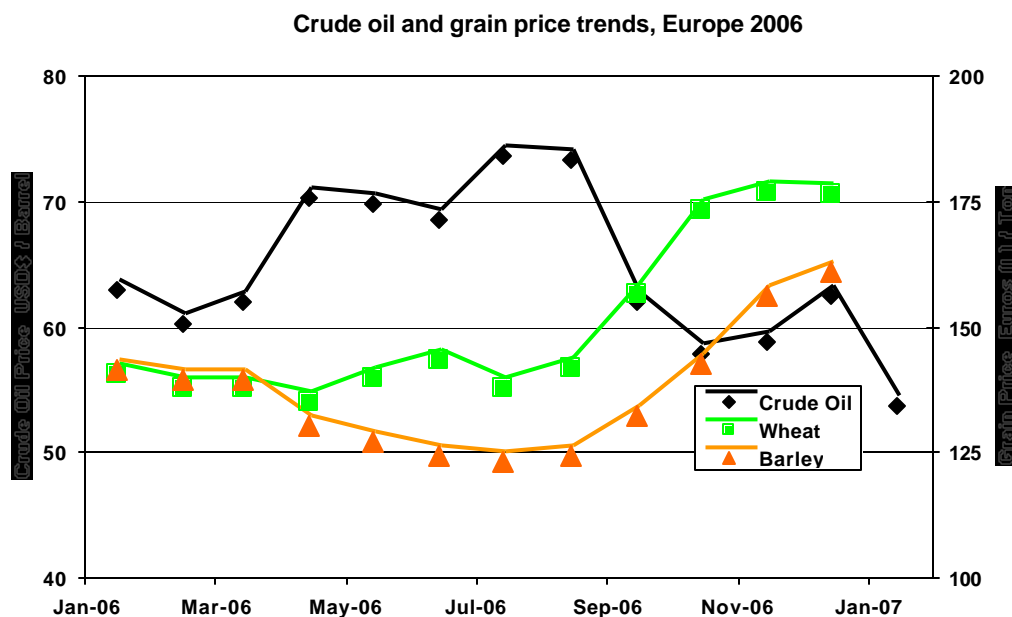
**Report Highlights:** Can Europe meet its currently voluntary "renewable" fuels-use targets using Europe-produced renewable fuels from locally produced feedstock? Without European Commission intervention, when the vagaries of very complex local and world commodity markets turn against European renewable fuels producers, local producers may become hard pressed to remain financially viable (please read below).

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Madrid [SP1]  
[SP]

One of the Spanish companies that currently leads Europe in the production of ethanol from grains, has just reminded everyone that production of ethanol and bio-diesel, for that matter, can be an economic challenge. Abengoa, an engineering group that operates three grain-to-fuel distilleries in Spain, just announced that it will close its newest and largest ethanol-producing plant during April, May, and June of 2007. The reason was not disclosed, but reportedly it has to do with the information outlined in the graph below. Immediately after the announcement, local barley and wheat prices reportedly dropped four Euros/ton, and some analysts believe they will drop another three-to-four Euros/ton, in particular, as the new-crop comes on in late June-to-early July. When in full-out production, the Salamanca plant in question uses 50,000 tons of grain feedstock per month.

Abengoa's Spanish ethanol plants are landlocked and highly dependent on local barley and wheat production and stocks. In December 2006, Abengoa announced that it was switching from wheat to barley, perhaps due to barley's lower price and greater availability in Spain (GAIN SP6034). But, the switch may not have been enough, because just as grain prices increased steeply in late 2006 (see graph), crude oil prices moved just as hard and quickly in the opposite direction, setting up Abengoa's current dilemma.



European grain prices are Euros (€) per ton, FOB (Source: CESFAC – FEAGA-MAPA)  
 European fuel prices are USD\$ per barrel in the Brent spot market (source: DOE-EIA at <http://www.eia.doe.gov/emeu/international/oilprice.html>)